

WAYNE STATE UNIVERSITY WDET-FM

(A Department of Wayne State University)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

WAYNE STATE UNIVERSITY WDET-FM

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
Wayne State University
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne State University WDET-FM (WDET), a department of Wayne State University, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise WDET's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WDET's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WDET, a department of Wayne State University, as of September 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Regarding Department Financial Statements:

As discussed in Note 1, the financial statements of WDET are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of Wayne State University's information that is attributable to the transactions of WDET. They do not purport to, and do not present fairly the financial position of Wayne State University as of September 30, 2018 and 2017, the changes in its financial position, or, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

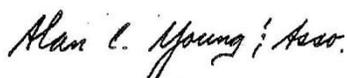
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as shown in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019 on our consideration of WDET's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WDET's internal control over financial reporting and compliance.



Detroit, Michigan
January 29, 2019



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Governors
Wayne State University
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wayne State University WDET-FM (WDET), a department of Wayne State University, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise WDET's basic financial statements, and have issued our report thereon dated January 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WDET's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WDET's internal control. Accordingly, we do not express an opinion on the effectiveness of WDET's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

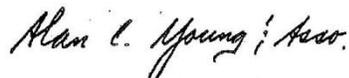
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters based on an Audit of Financial
Statements Performed in Accordance with Government
Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WDET's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Detroit, Michigan
January 29, 2019

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Wayne State University WDET 101.9 FM (“WDET”) as of and for the year ended September 30, 2018, with selected comparative information as of and for the year ended September 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes for the year ended September 30, 2018 and 2017.

WDET is a public radio station licensed to Wayne State University (“the University”) by the Federal Communications Commission. The station does not have a separate legal status or existence. The assets, liabilities, net position and revenues and expenses of WDET are included in the combined financial statements of Wayne State University. WDET’s financial statements and accompanying notes are prepared in accordance with the Corporation for Public Broadcasting’s Principles of Accounting and Financial Reporting for Public Telecommunications Entities, and principles of the Governmental Accounting Standards Board (“GASB”) which establish standards for external financial reporting for public colleges and universities. These principles require that the University’s financial statements be presented on a combined basis. The financial statements of WDET are presented and reported on separately in this report solely due to the separate reporting requirements of the Corporation for Public Broadcasting (“CPB”).

WDET serves to enhance the visibility of the University by reaching some of southeast Michigan’s most diverse and educated constituencies. WDET also streams its broadcast signal on its website (www.wdetfm.org), which allows the station a global audience. The station regularly hears from listeners from all corners of the globe and has become a source for relocated and out of town Detroiters to get local news and information about their hometown.

WDET also houses another of the University’s outreach services, the Detroit Radio Information Service (DRIS). DRIS is southeast Michigan’s 24-hour radio reading service, providing programming to foster independent living for people who cannot see, hold or comprehend normal printed materials, such as newspapers and magazines.

USING THIS REPORT

WDET’s financial report includes three basic financial statements: the statement of net position, which presents the assets, liabilities and net position of WDET at September 30, 2018, the statement of revenues, expenses and changes in net position, which reflects revenues and expenses recognized during the fiscal year, and the statement of cash flows, which provides information on major sources and uses of cash during the fiscal year. The report also includes notes to the financial statements which are an integral component of the report.

This financial report is designed to provide a general overview of WDET’s finances and to show WDET’s accountability for the money it receives. Additional information can be requested by mail at the following address:

Wayne State University
Fiscal Operations – Controller’s Office
5700 Cass Avenue, Suite 4602
Detroit, Michigan 48202

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FINANCIAL HIGHLIGHTS

Statement of Net Position

The statement of net position presents the financial position of WDET at the end of the fiscal year and includes all assets and liabilities of WDET. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of WDET, while the change in net position is an indicator of how the current year's operations have affected its overall financial condition. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

The summary of WDET's assets, liabilities, and net position at September 30, 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Current Assets	\$ 712.8	\$ 856.1
Noncurrent Assets		
Investments	119.8	111.3
Noncurrent Receivables, Net	4.0	2.4
Capital Assets, Net	528.8	559.6
Total Assets	<u>\$ 1,365.4</u>	<u>\$ 1,529.4</u>
Current Liabilities		
Due to Wayne State University	\$ 1,548.9	\$ 1,798.4
Other Current Liabilities	419.9	429.1
Total Current Liabilities	<u>1,968.8</u>	<u>2,227.5</u>
Noncurrent Portion of Compensated Absences	55.0	50.6
Total Liabilities	2,023.8	2,278.1
Total Net Position (Deficit)	<u>(658.4)</u>	<u>(748.7)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 1,365.4</u>	<u>\$ 1,529.4</u>

WDET's financial position consists of assets of \$1.37 million at September 30, 2018 and \$1.53 million at September 30, 2017 and liabilities of \$2.02 million at September 30, 2018 and \$2.28 million at September 30, 2017. The station's net position increased \$.09 million from a deficit of \$.75 million at September 30, 2017 to a deficit of \$.66 million at September 30, 2018.

Current assets decreased \$.14 million from \$.85 million at September 30, 2017 to \$.71 million at September 30, 2018. Non-current assets decreased \$.02 million from \$.67 million at September 30, 2017 to \$.65 million at September 30, 2018. The investment in capital assets net of accumulated depreciation was \$.53 million and \$.56 million at September 30, 2018 and 2017, respectively.

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Statement of Net Position (Continued)

Current liabilities decreased \$.26 million from \$2.23 million at September 30, 2017 to \$1.97 million at September 30, 2018.

As indicated in Note 2, WDET owed the University \$1.55 million and \$1.80 million at September 30, 2018 and 2017, respectively, which represents payments made by the University on WDET's behalf, which were in excess of WDET's available cash.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents WDET's revenues and expenses recognized during the fiscal year.

A summary of revenues and expenses, including operating and non-operating, for the years ended September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Operating Revenues		
Grant from Corporation for Public Broadcasting	\$ 237.4	\$ 247.5
Underwriting Sales and Other Sales	1,214.7	1,032.0
Indirect Administrative Support	484.9	533.3
Other Grants	359.6	401.0
Total Operating Revenues	<u>2,296.6</u>	<u>2,213.8</u>
Operating Expenses		
Salaries, Payroll Taxes, and Employee Benefits	2,630.2	2,458.5
Membership Dues and Other Fees	67.2	68.3
Indirect Administrative Support	484.9	533.3
Contracted Services	806.1	724.2
Postage	39.3	39.2
Equipment, Software and Maintenance	99.7	107.3
Depreciation	49.9	46.7
Telephone, Supplies and Materials, and Other	228.7	218.2
Total Operating Expenses	<u>4,406.0</u>	<u>4,195.7</u>
Operating Loss	<u>(2,109.4)</u>	<u>(1,981.9)</u>
Non-operating Revenues		
Contributions	1,936.1	1,988.7
Transfer from Wayne State University	250.0	472.4
Other Income	13.6	8.6
Total Non-operating Revenues	<u>2,199.7</u>	<u>2,469.7</u>
Increase in Net Position	90.3	487.8
Net Deficit, Beginning of Year	<u>(748.7)</u>	<u>(1,236.5)</u>
Net Deficit, End of Year	<u>\$ (658.4)</u>	<u>\$ (748.7)</u>

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Revenues (operating and non-operating) totaled \$4.50 million at September 30, 2018 and \$4.68 million at September 30, 2017. The 2018 decrease in revenues of \$0.18 million is primarily attributable to a reduction in University support from \$.47 million in 2017 to \$.25 million in 2018. In 2018, expenses increased \$0.20 million to \$4.40 million compared to \$4.20 million in 2017. The increase was attributable principally to increases in compensation-related expenses of \$.17 million, contracted services of \$.08 million, telephone supplies and materials and other of \$.01 million partially offset by decrease in equipment, software and maintenance expenses of \$.01 million.

Statement of Cash Flows

The statement of cash flows provides additional information about WDET's financial results, by reporting the major sources and uses of cash during the year. WDET reports cash activities in three categories: operating, noncapital financing, and capital and related financing. WDET's most significant sources of cash flows resulted from contributions, transfers from Wayne State University, and underwriting and other sales. Primary outlays of cash were payments to employees and suppliers.

FACTORS THAT WILL AFFECT THE FUTURE

Following an unprecedented year of growth in fiscal year 2017, WDET overcame a 47.1 percent reduction in its annual subsidy from Wayne State University to end fiscal year 2018 with a surplus of approximately \$90,000. With support from the University, WDET completed a year-long strategic planning process to achieve sustainable growth and greater financial independence.

There are several environmental factors that are out of WDET's control that must be accounted for in its planning for the future including the availability of federal funding, the health of the local and national economy, and a rapidly changing media landscape.

At this time, the most significant factor contributing to WDET's ability to achieve greater financial independence is the stations' ability to reinvest in itself. This is directly impacted by the station's long standing debt to Wayne State University.

Other factors affecting WDET's future will continue to be the station's ability to:

- Develop distinctive local programming and services that reach new, diverse audiences and inspire community support
- Invest in technology that allows for deeper listener engagement and the delivery and monetization of cross-platform content
- Attract and retain talent through competitive wages, investments in professional development and opportunities for growth
- Build greater awareness of its program offerings and value proposition in a competitive local and national media landscape
- Upgrade equipment in light of changing technology requirements to ensure high-quality service delivery and continuity

WAYNE STATE UNIVERSITY WDET-FM

Management's Discussion and Analysis – Unaudited (Continued)

FACTORS THAT WILL AFFECT THE FUTURE (Continued)

Programming & Community Engagement:

WDET reached an average of 130,000 weekly listeners to its live programming in fiscal year 2018 in addition to over 60,000 unique visitors to its website each month. The station continues to be nationally recognized for its commitment to providing high-quality local programming and community engagement opportunities that reflect and amplify diverse voices. Fiscal year 2018 highlights include:

- Public affairs program *Detroit Today* and weekend music programs such as *Essential Music* experienced year-over-year audience growth and increased listener loyalty.
- International media turned to WDET hosts and journalists as experts for their coverage and the station opened its newsroom and studios to several visiting reporters and radio programs. WDET commemorated the life of Aretha Franklin through several hours of locally produced programming and partnered with NPR and WDIV to provide live coverage of the funeral proceedings to a local and national audience.
- Several hundred Metro Detroit residents were surveyed ahead of the November election and WDET's newsroom provided coverage based on the issues that were most important to residents. WDET partnered with other credible news organizations such as Detroit Public Television and Bridge Magazine to provide fact-based information on candidates and proposals to Michigan voters.
- Chicago-based City Bureau partnered with WDET on the launch of Detroit Documenters, a civic journalism program that trains residents to document public meetings and participate in building a new public record for Detroit. This program will be expanded in fiscal year 2019 with grant support from the Detroit Journalism Engagement Fund.
- Diverse local voices were amplified through the *Twisted Storytellers* and *StoryCorps* podcasts and the station created a fellowship program for immigrant journalists and journalists of color with nationally recognized non-profit, Feet in 2 Worlds.
- In addition to generating approximately \$46,000 in revenue from ticketed events, WDET produced or partnered on dozens of free community meetings and cultural events around the region.

Revenue & Expenses:

WDET's expenses increased by 5.0 percent in fiscal year 2018 as the station began making initial investments in support of its strategic plan. These are largely reflected in personnel expenses and contracted services.

- **Sales revenue increased for the fourth year in a row.** A renewed focus on new business and the execution of several successful ticketed events attributed to a 17.7 percent increase in overall sales. Radio advertising expenditures are projected to grow in the coming year and investments in both digital and event sponsorship opportunities will make it possible for the station to compete in a rapidly changing media sales environment. WDET recently hired an Associate Director of Business Development and Marketing to lead the sales team and support a more aggressive and diversified revenue strategy.

FACTORS THAT WILL AFFECT THE FUTURE (Continued)

Revenue & Expenses (Continued):

- **Foundation support decreased slightly** as several sponsored programs were delayed due to changes in staffing. As a result, a significant amount of grant revenue has been deferred to fiscal year 2019. Grant making for journalism has increased over the last decade and there is a growing awareness of the need for philanthropic support on a local level. WDET currently receives funding for both its news and arts programming and will continue to build on its relationships with local and national funders.
- **More listeners are supporting the station as evidenced by a 10.5 percent increase in membership.** Contributions from individual listeners continue to be WDET's most significant revenue stream and most reliable source of support as the station works to decrease its reliance on university funding. WDET experienced a \$547,000 increase in listener support in fiscal year 2017 which resulted in an unprecedented net increase last year. Much of this revenue was secured during the September fundraiser in response to the anticipated reduction of the subsidy from Wayne State. Despite a small decrease in overall contributions revenue, the station was largely able to sustain this increased level of support by improving donor retention rates, increasing the average gift size, and converting more listeners to membership.
- WDET exceeded its overall **Pivotal Moments Campaign** goal by 8 percent through a combination of cash and planned gifts. WDET will continue to secure planned gifts for its Endowed Enhancement Fund to provide a more stable source of annual funding.

WAYNE STATE UNIVERSITY WDET-FM

Statements of Net Position September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Current Portion of Receivables, Net (Note 3)	\$ 690,167	\$ 835,682
Prepaid Expenses	22,616	20,372
Total Current Assets	712,783	856,054
Investments	119,746	111,275
Noncurrent Receivables, Net (Note 3)	4,007	2,450
Capital Assets, Net (Notes 4)	528,821	559,597
Total Assets	<u>\$ 1,365,357</u>	<u>\$ 1,529,376</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Payroll	\$ 171,305	\$ 191,284
Unearned Income	157,866	147,889
Current Portion of Compensated Absences (Note 5)	90,699	89,902
Due to Wayne State University (Note 2)	1,548,880	1,798,358
Total Current Liabilities	1,968,750	2,227,433
Noncurrent Portion of Compensated Absences (Note 5)	55,017	50,645
Total Liabilities	2,023,767	2,278,078
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	528,821	559,597
Restricted - Expendable	225,059	290,373
Unrestricted - Deficit	(1,412,290)	(1,598,672)
Total Net Position (Deficit)	(658,410)	(748,702)
Total Liabilities and Net Position (Deficit)	<u>\$ 1,365,357</u>	<u>\$ 1,529,376</u>

The accompanying notes are an integral part of these financial statements.

WAYNE STATE UNIVERSITY WDET-FM

Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Grant from Corporation for Public Broadcasting	\$ 237,384	\$ 247,526
Underwriting Sales	1,107,155	944,188
Other Sales	107,499	87,832
Indirect Administrative Support (Note 1)	484,949	533,317
Other Grants	359,635	401,006
Total Operating Revenues	<u>2,296,622</u>	<u>2,213,869</u>
Operating Expenses (Note 7)		
Salaries, Payroll Taxes, and Employee Benefits	2,630,236	2,458,507
Membership Dues and Other Fees	67,241	68,279
Indirect Administrative Support (Note 1)	484,949	533,317
Contracted Services	806,072	724,198
Printing, Publicity, and Advertising	86,655	90,590
Supplies and Materials	22,403	14,847
Telephone	46,407	30,011
Postage	39,256	39,223
Travel and Training	42,416	33,633
Equipment, Software and Maintenance	99,689	107,298
Miscellaneous	30,766	49,108
Depreciation	49,926	46,734
Total Operating Expenses	<u>4,406,016</u>	<u>4,195,745</u>
Operating Loss	<u>(2,109,394)</u>	<u>(1,981,876)</u>
Non-operating Revenues		
Contributions	1,936,097	1,988,694
Transfer from Wayne State University	250,000	472,400
Other Income	13,589	8,595
Total Non-operating Revenues	<u>2,199,686</u>	<u>2,469,689</u>
Increase in Net Position	90,292	487,813
Net Deficit, Beginning of Year	<u>(748,702)</u>	<u>(1,236,515)</u>
Net Deficit, End of Year	<u>\$ (658,410)</u>	<u>\$ (748,702)</u>

The accompanying notes are an integral part of these financial statements.

WAYNE STATE UNIVERSITY WDET-FM

Statements of Cash Flows Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants	\$ 870,935	\$ 536,957
Underwriting and Other Sales	1,078,759	1,120,946
Payments to Employees	(2,623,600)	(2,439,625)
Payments to Suppliers	(1,264,595)	(1,224,094)
Net Cash Used in Operating Activities	<u>(1,938,501)</u>	<u>(2,005,816)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	1,952,011	1,740,317
Transfer from Wayne State University	250,000	472,400
Other	5,118	6,555
Net Cash Provided by Non-Capital Financing Activities	<u>2,207,129</u>	<u>2,219,272</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(19,150)	(42,161)
Net Cash Used in Capital and Related Financing Activities	<u>(19,150)</u>	<u>(42,161)</u>
Net Increase in Due to Wayne State University	249,478	171,295
Due to Wayne State University, Beginning of Year	(1,798,358)	(1,969,653)
Due to Wayne State University, End of Year	<u>\$ (1,548,880)</u>	<u>\$ (1,798,358)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (2,109,394)	\$ (1,981,876)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	49,926	46,734
(Increase) Decrease in Assets of Current Operating Funds:		
Receivables, Net	128,044	(123,146)
Prepaid Expenses	(2,244)	(20,372)
Increase (Decrease) in Liabilities of Current Operating Funds:		
Accounts Payable and Accrued Payroll	(19,979)	(38,809)
Unearned Income	9,977	100,498
Compensated Absences	5,169	11,155
Net Cash Used in Operating Activities	<u>\$ (1,938,501)</u>	<u>\$ (2,005,816)</u>

The accompanying notes are an integral part of these financial statements.

1) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Overview

WDET-FM ("WDET") is a public telecommunications entity owned and operated by Wayne State University ("the University"). WDET does not have separate legal status or existence. The assets and liabilities and the revenues and expenses of WDET, with the exception of in-kind donations and expenses, are included in the combined financial statements of the University.

Basis of Presentation

The financial statements have been prepared in accordance with the Corporation for Public Broadcasting's Principles of Accounting and Financial Reporting for Public Telecommunications Entities, and generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Net Position - Consistent with GASB Principles, WDET reports its net position in three categories:

- **Net Investment in Capital Assets** – WDET's investment in equipment, net of accumulated depreciation. Changes from year to year result from capital additions, retirement of assets and depreciation expense.
- **Restricted - Expendable** – Gifts and sponsored and governmental grants and contracts which are subject to externally imposed restrictions governing their use.
- **Unrestricted** – Funds which are not subject to externally imposed restrictions and are designated for public service and other programs.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University and WDET report their operations as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Consistent with GASB principles, WDET defines operating activities, as reported in the statement of revenues, expenses, and changes in net position, as those that generally result from exchange transactions such as payments received for underwriting sales and program grants, and payments made for services or goods received. Non-operating revenues are primarily non-exchange in nature such as contributions received from the University and external donors.

1) **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prepaid Expenses – Prepaid expenses primarily represent cash payments made in advance of when the related expenditures are recognized for financial statement purposes.

Investments – Investments represent the portion of gifts and the related undistributed accretion from investments specifically restricted to WDET which are included in the University's endowment investment pool.

Capital Assets – Capital assets are recorded at cost, or if acquired by contribution, at the fair market value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives of the respective assets.

Unearned Income – Unearned income represents amounts received and/or receivable in advance of an event or in advance of incurring the related costs. This includes amounts received from grant and contract sponsors which have not yet been earned under the terms of the underlying agreements. Unearned income will be recognized as revenue in subsequent periods commensurate with generally accepted accounting principles and/or the applicable grant and contract terms and conditions.

Revenue Recognition – WDET receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges and conditional promises do not meet eligibility requirements, as defined by GASB Statement No. 33, *Financial Reporting for Non-Exchange Transactions*, and are not recorded as assets until the related gifts are received.

Donor unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. The allowance for uncollectible pledge receivables is provided based on management's judgment of potential uncollectible amounts.

Underwriting revenue is recognized when the related programming and broadcasting services have occurred.

1) **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-Kind Donations – Donated goods and services are recorded as both revenue and expense at the estimated fair market value as determined by the donor.

Donated personnel services of nonprofessional volunteers are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Corporation for Public Broadcasting Community Service Grant - The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Indirect Administrative Support – Indirect administrative support consists of an allocation of costs relating to occupancy, maintenance, utilities and other institutional support provided to WDET by the University. This support is recognized in the financial statements as both revenue and expense.

2) **DUE TO WAYNE STATE UNIVERSITY**

The amounts due to Wayne State University at September 30, 2018 and 2017 were \$1,548,880 and \$1,798,358, respectively. These amounts represent payments made by the University on behalf of WDET in excess of WDET cash on deposit in the University's pooled cash account.

WAYNE STATE UNIVERSITY WDET-FM

Notes to Financial Statements (Continued)
September 30, 2018 and 2017

3) RECEIVABLES

Receivables at September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Pledge Receivables, Current	\$ 557,618	\$ 578,770
Less Allowance for Doubtful Pledge Receivables - Current	<u>(57,203)</u>	<u>(60,884)</u>
	500,415	517,886
Underwriting Receivables	201,437	207,445
Less Allowance for Doubtful Underwriting Receivables	<u>(15,285)</u>	<u>(54,205)</u>
	186,152	153,240
Other Receivables	<u>3,600</u>	<u>164,556</u>
Current Receivables, Net	<u>\$ 690,167</u>	<u>\$ 835,682</u>
Pledge Receivables - Noncurrent	\$ 4,863	\$ 3,818
Less Allowance for Doubtful Pledge Receivables - Noncurrent	<u>(856)</u>	<u>(1,368)</u>
Noncurrent Receivables, Net	<u>\$ 4,007</u>	<u>\$ 2,450</u>

4) CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2018 and 2017 was as follows:

	<u>2018</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Tower	\$ 926,562	\$ -	\$ -	\$ 926,562
Furniture and Equipment	568,909	19,150	(25,279)	562,780
Subtotal	<u>1,495,471</u>	<u>19,150</u>	<u>(25,279)</u>	<u>1,489,342</u>
Less: Accumulated Depreciation	<u>(935,874)</u>	<u>(49,926)</u>	<u>25,279</u>	<u>(960,521)</u>
Capital Assets, Net	<u>\$ 559,597</u>	<u>\$ (30,776)</u>	<u>\$ -</u>	<u>\$ 528,821</u>
	<u>2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Tower	\$ 926,562	\$ -	\$ -	\$ 926,562
Furniture and Equipment	547,987	20,922	-	568,909
Subtotal	<u>1,474,549</u>	<u>20,922</u>	<u>-</u>	<u>1,495,471</u>
Less: Accumulated Depreciation	<u>(889,140)</u>	<u>(46,734)</u>	<u>-</u>	<u>(935,874)</u>
Capital Assets, Net	<u>\$ 585,409</u>	<u>\$ (25,812)</u>	<u>\$ -</u>	<u>\$ 559,597</u>

5) COMPENSATED ABSENCES

Compensated absences represent the liability for earned and vested employee vacation and sick time.

6) DEFINED CONTRIBUTION RETIREMENT PLAN

The University offers pension benefits for substantially all full-time employees of WDET through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after they reach 26 years of age. Eligible employees that contribute at least 1 percent of their salary will receive a University matching contribution equal to two times their contribution up to a maximum University contribution of 10 percent. The University's contribution is not vested until the employee has completed two years of service.

7) FUNCTIONAL EXPENSES

Operating expenses, reported on the Statement of Revenues, Expenses and Changes in Net Position are categorized by natural classifications. Functional breakdowns of operating expenses classified by activity for the years ended September 30, 2018 and 2017 are presented on the following pages:

WAYNE STATE UNIVERSITY WDET-FM

Notes to Financial Statements (Continued)
September 30, 2018 and 2017

7) FUNCTIONAL EXPENSES (Continued)

	2018					Total
	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	
Salaries, Payroll Taxes, and Employee Benefits	\$ 1,326,390	\$ 299,965	\$ 101,560	\$ 522,627	\$ 379,694	\$2,630,236
Membership Dues and Other Fees	18,932	-	75	8,595	39,639	67,241
Contracted Services	668,536	31,083	28,615	62,625	15,213	806,072
Printing, Publicity, and Advertising	11,111	300	7,252	67,412	580	86,655
Supplies and Materials	6,406	8,922	482	1,756	4,837	22,403
Telephone	15,181	23,556	792	3,845	3,033	46,407
Postage	507	50	-	38,669	30	39,256
Travel and Training	15,077	1,682	5,883	11,543	8,231	42,416
Equipment, Software and Maintenance	30,668	15,650	793	50,734	1,844	99,689
Miscellaneous	3,915	-	6,540	16,982	3,329	30,766
Depreciation	27,859	5,142	849	10,135	5,941	49,926
Total Functional Expenses						
Before Indirect Administrative Support	2,124,582	386,350	152,841	794,923	462,371	3,921,067
Indirect Administrative Support	270,601	49,950	8,244	98,445	57,709	484,949
Total Functional Expenses	\$ 2,395,183	\$ 436,300	\$ 161,085	\$ 893,368	\$ 520,080	\$4,406,016

WAYNE STATE UNIVERSITY WDET-FM

Notes to Financial Statements (Continued)
September 30, 2018 and 2017

7) FUNCTIONAL EXPENSES (Continued)

	2017					Total
	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	
Salaries, Payroll Taxes, and Employee Benefits	\$ 1,221,311	\$ 292,213	\$ 132,835	\$ 421,775	\$ 390,373	\$2,458,507
Membership Dues and Other Fees	24,298	-	75	8,295	35,611	68,279
Contracted Services	596,314	949	26,452	86,365	14,118	724,198
Printing, Publicity, and Advertising	12,719	99	7,918	69,501	353	90,590
Supplies and Materials	4,943	2,188	632	-	7,084	14,847
Telephone	17,476	4,716	698	3,339	3,782	30,011
Postage	27	40	-	39,069	87	39,223
Travel and Training	17,152	418	6,840	5,471	3,752	33,633
Equipment, Software and Maintenance	20,279	36,096	2,434	44,450	4,039	107,298
Miscellaneous	10,211	-	13,057	20,675	5,165	49,108
Depreciation	24,769	4,206	2,337	9,347	6,075	46,734
Total Functional Expenses						
Before Indirect Administrative Support	1,949,499	340,925	193,278	708,287	470,439	3,662,428
Indirect Administrative Support	282,658	47,999	26,666	106,663	69,331	533,317
Total Functional Expenses	<u>\$ 2,232,157</u>	<u>\$ 388,924</u>	<u>\$ 219,944</u>	<u>\$ 814,950</u>	<u>\$ 539,770</u>	<u>\$4,195,745</u>